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**SIX FORMER ANICOM EMPLOYEES, INCLUDING FIVE TOP  
EXECUTIVES, INDICTED IN CORPORATE FRAUD SCHEME**

CHICAGO -- A federal grand jury today indicted six former employees, five of whom were high-ranking executives, of the now-defunct Anicom, Inc., alleging that they engaged in a corporate fraud scheme by inflating sales and revenues by tens of millions of dollars beginning approximately three years before the company went bankrupt. A 30-count indictment returned today alleges that the defendants created fictitious sales of at least more than \$24 million, understated expenses and overstated net income and earnings by millions of dollars, knowing that the materially false financial information was being provided to investors, auditors, lenders and securities regulators, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

Mr. Fitzgerald, a member of the President's Corporate Fraud Task Force, announced the charges together with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, and Mary E. Keefe, Regional Director of the Securities and Exchange Commission. The Corporate Fraud Task Force, chaired by Deputy Attorney General Larry Thompson, was created by President Bush last summer to oversee and direct federal law enforcement actions against corporate corruption that had eroded investor confidence in the integrity of U.S. markets.

Anicom was a national distributor of wire and cable products, such as fiber optic cable, based in Rosemont, Ill. Its shares were publicly traded on the NASDAQ stock market until trading was halted on July 18, 2000, when Anicom announced that it was conducting an investigation into possible accounting irregularities and that investors should not rely on its 1998 and 1999 financial statements. Anicom reported more than 25 million shares of common stock outstanding in May 2000 and the stock closed at \$4 a share the day before trading ceased. Anicom's stock was delisted from the NASDAQ exchange on Nov. 16, 2000, and its share price fell to 75 cents when it resumed over-the-counter trading the following day, reflecting a market loss of more than \$80 million. The stock traded at zero around the time Anicom declared bankruptcy in January 2001. The company discontinued operations, fired some 1,200 employees and liquidated its assets to pay creditors.

The defendants charged in the indictment are:

**Carl Putnam**, 54, of Naperville, who was Anicom's President, a Director, and in September 1999 also became Chief Executive Officer, and was responsible for the company's sales. During 1999, Putnam was paid a base salary of \$345,000 and a bonus of \$40,000;

**Donald Welchko**, 48, of Willow Springs, who was Anicom's Chief Financial Officer and responsible for its accounting and finance functions. In 1998, he became a Director and was a member of the Audit Committee. Welchko participated in preparing Anicom's annual, quarterly, and other periodic reports filed with the SEC. During 1999, Welchko was paid a base salary of \$230,000 and a bonus of \$40,000;

**John Figurelli**, 56, of Libertyville, who joined Anicom as Vice President of Credit Services and an officer in August 1997. In July 1998, he was promoted to Vice President of Operations and Credit Services. In March 1999, he became Executive Vice President of Operations and Logistics, and in September 1999, he became Chief Operating Officer. During 1999, Figurelli was paid a base salary of \$162,500 and a bonus of \$40,000;

**Daryl Spinell**, 38, of Naperville, who became Anicom's Vice President of Sales and an officer in 1995. Spinell reported directly to Putnam and managed Anicom's sales force. In January 2000, Spinell stepped down to become the General Manager of

Anicom's Elk Grove Village location. During 1999, Spinell was paid a base salary of \$165,000 and a bonus of \$30,000;

**Ronald Bandyk**, 37, of LaGrange, a certified public accountant, who became Anicom's Vice President – Accounting and an officer in March 1998. In January 1999, he was made Vice President – Controller. Bandyk reported to Welchko, managed the accounting department, and participated in preparing Anicom's annual, quarterly, and other periodic reports filed with the SEC. Bandyk resigned from Anicom in April 2000. During 1999, he was paid a base salary of \$108,000 and a bonus of approximately \$25,000; and

**Renee Levault**, 34, of Huntley, who managed Anicom's Drop Ship Billing Department. She reported to Figurelli and had a close working relationship with Putnam.

All six defendants were charged with three counts each of securities fraud. Putnam and Welchko were also each charged together with five counts of bank fraud, five counts of making false statements to financial institutions and eight counts of making false statements to the SEC, and they were charged separately with four counts each of falsifying Anicom's financial books and records. Welchko alone was charged with a single count of obstruction of justice in connection with the SEC's investigation. All six defendants will be arraigned at a later date in U.S. District Court in Chicago.

“Prosecuting corporate chieftains who falsify financial information and inflict damage on our economy is one of our highest priorities,” Mr. Fitzgerald said. “Boardrooms do not provide sanctuary from prosecution. When the books are cooked, we will protect the integrity of our financial markets by punishing those responsible at the highest level.”

Mr. Kneir of the FBI said: “The conduct outlined in today's indictment against officers of Anicom is appalling. Both individual investors and financial institutions must have complete confidence in the financial records of corporations. For those who chose to be deceitful, their reward will be thorough investigation and vigorous prosecutions.”

According to the indictment, beginning no later than early 1998 through September 2000, the defendants engaged in a securities fraud scheme that deceived purchasers and sellers of Anicom's common stock. From the first quarter of 1998 through at least May 2000, they allegedly overstated sales, revenue and net income by creating numerous fictitious sales and fraudulent billings, including approximately \$10.45 million in sales to a fictitious company. They also engaged in additional fraudulent accounting practices that overstated revenue and understated expenses for particular quarters and years, including making and causing various fraudulent entries in Anicom's general ledger. The defendants knew that the fraudulent journal entries were contrary to Generally Accepted Accounting Principles (GAAP) and did not fairly and accurately reflect Anicom's business transactions, the indictment alleges.

As part of the fraud scheme, the defendants falsely represented and caused to be falsely represented financial information contained in at least nine Form 10-Q reports filed with the SEC in 1998, 1999, and for the first quarter of 2000, as well as the 10-K reports filed with the SEC for 1998 and 1999. Anicom's Form 10-K reports filed with the SEC as of Dec. 31, 1998, and Dec. 31, 1999, included the Report of the Company's Independent Accountants, Price Waterhouse Coopers, which stated that management represented that the financial information contained in those reports was prepared in conformity with GAAP and fairly presented Anicom's financial position in all material respects. By failing to disclose the fraud scheme to Price Waterhouse and causing Anicom to misrepresent its revenue and earnings, the defendants allegedly intended to inflate the price of the company's shares in the marketplace.

In the sales fraud component of the scheme, the indictment alleges that defendants caused Anicom to recognize millions of dollars in fictitious sales and improper billings that fraudulently inflated reported revenues and gross profits. The defendants knew that these fictitious orders and improper billings were fraudulently recognized as revenue, along with any associated profit, on

Anicom's financial statements filed with the SEC. The defendants further caused Anicom to fraudulently recognize revenue from sales in which product had not yet been shipped, or was never shipped, to the customer. Near the end of financial reporting quarters in 1998, 1999, and in the first quarter of 2000, the defendants allegedly knowingly billed and caused to be billed orders that customers had not placed, and orders that had not shipped to the customer, many of which were at least hundreds of times greater than Anicom's approximate average order of \$1,000.

Among the allegedly fraudulent sales, the indictment alleges the following:

- \$5 million from a fictitious and unshipped sale to Spanpro, Inc., on or around Sept. 30, 1998, knowing that no such sale had been made and no product had been shipped. This fictitious and unshipped sale placed Spanpro as Anicom's top customer for 1998, as measured by dollar amount, and was Anicom's largest single "sale" for 1998;
- \$2.1 million from a fictitious and unshipped sale to GTT Electronics, Inc., on or around Dec. 30, 1998, knowing that no such sale had been made and no product had been shipped. This fictitious and unshipped sale placed GTT as one of Anicom's top 10 "sales" for 1998;
- \$2.2 million from fictitious and unshipped sales to J.W. Few & Company on or around March 31, 1998, knowing that no such sales had been made and no product had been shipped. These fictitious and unshipped sales placed J.W. Few as one of Anicom's top 10 customers for 1998, as measured by dollar amount; and
- \$4.6 million from a fictitious and unshipped sale to Microcomputer Cable Company on or around Dec. 31, 1999, knowing that no such sale had been made no product had been shipped. This fictitious and unshipped sale to Microcomputer was one Anicom's largest "sales" in 1999.

In another component of the alleged fraud scheme, the defendants caused Anicom in 1999 to fraudulently recognize more than \$10.45 million in sales to a fictitious customer called SCL Integration in order to inflate sales, as well as to minimize the effect on income of writing-off earlier improper and otherwise uncollectible accounts receivable. The fictitious sales billed to SCL

Integration placed it as Anicom's top "customer" for 1999, as measured by dollar amount, according to the indictment.

In the first quarter 1999, the defendants allegedly developed a plan to address the millions of dollars in fictitious and otherwise uncollectible accounts receivable that were then on Anicom's books. At Welchko's direction, two lists were generated, one that totaled more than \$4.46 million, and another that totaled more than \$2.1 million. The first amount represented a portion of the amount of fraudulent sales and other credits that were required to be issued against Anicom's accounts receivables. The second amount represented large credits that had already been issued to Anicom customers in January and February 1999, and thus had already reduced sales. The defendants alleged plan was to delay the effect of the credits that had been issued and that were to be issued by billing an equivalent amount in sales to the fictitious customer. The two amounts and a third amount called "Credit Reserve" were reflected on a document prepared by Welchko entitled "Credit Disbute (sic)." The amount of Credit Reserve was more than \$3.8 million, which represented an additional amount that defendants intended to bill as fictitious sales for the first quarter of 1999. The total of the Credit Reserve and the first two amounts was approximately \$10.45 million.

In March or April 1999, Figurelli instructed a credit department employee to set up a new customer account in Anicom's billing system for the fictional company, "SCL Integration Corp." Figurelli provided all the necessary information to add SCL Integration to the billing system, including customer name, address, and telephone number, all of which were fictitious, the indictment alleges. At Welchko's direction, Levault requested that an information systems employee program the online sales activity report so that sales and transactions related to SCL

Integration would only be shown on activity reports seen by Putnam, Welchko, Figurelli and Levault, rather than be generally available to Anicom employees.

On April 6, 1999, the defendants allegedly caused to be booked and billed nine fictitious sales for fiber optic cable to SCL Integration that totaled \$10.45 million. The defendants billed and caused the sales to be billed to SCL Integration at the same time, but backdated the invoices so that two of the sales were in January, four were in February, and three were in March of 1999. No product for these sales ever shipped to SCL Integration, according to the indictment.

The obstruction count against Welchko alleges that in response to a December 1999 written request from the SEC that Anicom voluntarily produce certain information, he instructed an employee to compile responsive information but to remove any information relating to SCL Integration, intending that the SEC be misled by the deletion of the information relating to SCL Integration. As a result of Welchko's instructions, in March 2000, Anicom produced a compact disk purporting to contain the requested information to the SEC that did not contain any information relating to SCL Integration.

In yet another fraud component, the indictment alleges that beginning no later than early 1999, and continuing through at least March 2000, the defendants and others retained and caused to be retained various investment banking firms to explore the sale of Anicom to third parties by acquisition of Anicom's shares. The defendants allegedly provided and caused to be provided to these investment banks false and misleading financial information regarding Anicom, including quarterly and annual reports containing financial statements filed with the SEC, knowing that the investment banks would provide the false and misleading financial information to potential acquirers of Anicom's shares.

The bank fraud charges allege that Putnam and Welchko engaged in a scheme to defraud a consortium of lenders that first extended a \$50 million unsecured revolving credit line to Anicom in July 1997. The two executives allegedly provided false and misleading financial information to the lenders to increase the credit limit to \$100 million in June 1998, and again, to \$120 million in November 1998. These defrauded lenders included Harris Trust and Savings Bank, LaSalle National Bank, First National Bank of Chicago (now Bank One), and Bank of America National Trust and Savings Association. In December 1999, Anicom reached a new credit agreement with its current lenders and two new financial institutions, Firststar Bank and Fleet Capital Corp., to increase its available borrowing limit to \$150 million, which was collateralized by Anicom's receivables and inventory, and which continued to be based on allegedly false and fraudulent financial information. The government is being represented by Assistant U.S. Attorneys Sean Berkowitz and Edmond Chang.

If convicted of securities fraud, all six defendants each face a maximum penalty of 10 years in prison and a \$1 million fine on each count. The remaining charges against Putnam and Welchko carry the following maximum penalties on each count: bank fraud and making false statements to financial institutions – 30 years and a \$1 million fine; making false statements to the SEC – five years and a \$250,000 fine; and falsifying financial books and records – 10 years and a \$1 million fine. The obstruction count against Welchko carries a maximum penalty of 5 years and a \$250,000 fine. As an alternative maximum fine, the Court may order a fine totaling twice the gross loss of any victim or twice the gain to the defendant, whichever is greater. Restitution is mandatory. The Court, however, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.



The public is reminded that an indictment contains only charges and is not evidence of guilt.  
The defendants are presumed innocent and are entitled to a fair trial at which the United States has  
the burden of proving guilt beyond a reasonable doubt.

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